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TAGS: [OREP](#) [PREL](#) [SP](#)  
SUBJECT: SCENESETTER FOR CODEL GORDON, MARCH 5-9, SPAIN

#### Summary

¶1. (U) Embassy Madrid welcomes your visit. U.S.-Spain relations are strong and based on shared global interests, including our association in NATO, the fight against terrorism, and growing economic ties. Spaniards are enthusiastic about President Obama, and the GOS is optimistic about the prospect for closer bilateral relations and enhanced engagement. Spain is the European Council president for the first six months of 2010. End summary.

#### Bilateral Relations

¶2. (SBU) We value Spanish cooperation on security issues and in the fights against terrorism and narcotics. Spain is a strong bilateral defense partner, despite differences in the past over its sudden withdrawal from Iraq in 2004 and its poorly coordinated withdrawal in 2009 from the NATO force in Kosovo. Spain operates a Provincial Reconstruction Team in Afghanistan with about 1,000 troops participating in ISAF, and the Spanish congress approved deployment of 500-plus additional troops on February 17 and authorized 40 civil guard police trainers. Spain also allows us the use of two military bases that are crucial transit points between the U.S. and Afghanistan and Iraq. Counter-terrorism and law enforcement cooperation is strong, as are business ties.

#### Political Context

¶3. (SBU) President Zapatero won re-election to a second term in 2008. His center-left Spanish Socialist Workers Party (PSOE) is seven seats shy of a Congressional majority and fared poorly in regional and European Parliament elections in ¶2009. Zapatero's popularity has suffered because of the long recession and what are viewed as the government's ineffective efforts to address it. The conservative opposition Popular Party (PP) has not capitalized on Zapatero's unpopularity, as it has suffered internal divisions and has been dogged by corruption accusations. That said, recent polls suggest that the PP could win an election over the Socialists if the vote was held today. Zapatero has sought to show that he is taking a leading international role in the response to the economic crisis, and the EU Presidency gives the GOS an opportunity to play up its international role.

#### Economic Context

¶4. (U) Spain grew much faster than the EU average over the 15 years through 2007 and now has the world's 9th largest economy. The rapid growth was driven by a housing boom that ended in 2007, after which the world economic crisis aggravated the economy's woes. Spain has been in recession for almost two years. It will be the last large economy to begin to recover, and the eventual recovery is expected to be

sluggish. Unemployment, now over 19 percent, is expected to pass 20 percent this year. The GOS has responded with a major fiscal stimulus. This has boosted the budget deficit above 11 percent of GDP, and the GOS will have to limit spending significantly between now and 2013 to meet EU deficit requirements. Research spending is expected to see significant cuts. Last month, markets and commentators expressed concern that the government's budget troubles would put it in a situation like Greece's, but concern seems to have receded, and the government successfully issued new debt the week of February 15.

15. (U) The bilateral economic relationship is strong. The U.S. is the largest investor in Spain though the flow of new investment has slowed in recent year. Spain is the tenth largest foreign investor in the U.S., and Spanish firms are especially active in wind and solar power, banking, and road construction. The GOS and Spanish companies see the USG as providing Spanish companies opportunities in these areas and others through the stimulus package, climate change legislation, and efforts to sell troubled banks, and the GOS portrays close bilateral relations as helping Spain's economic interests.

#### Renewable Energy -----

16. (U) Renewable energy is an increasingly important part of the Spanish economy, and of our bilateral relationship. The Zapatero government is working to reorient Spain's economy towards more sustainable sectors. Renewable energy is a key part of Zapatero's vision, in fighting climate change as well as in promoting energy security and developing new industries. Generous (and costly) feed-in tariffs have helped make Spain a world leader in wind and solar power: Iberdrola is the world's largest producer of wind power, and Acciona is the second largest. Gamesa, partially owned by Iberdrola, is one of the world's largest manufacturers of wind turbines as well as operating wind farms. Spain is also the world's third largest generator of solar power, and many firms are seeking approval to build photovoltaic and concentrated solar projects. While U.S. companies are investing in (AES, FPL) and supplying (GE, First Solar) renewables projects in Spain, Spanish investment in renewables in the U.S. is much greater.

7.(U) Spanish companies own wind farms in about 20 U.S. states and continue to expand. Iberdrola plans to invest another six billion dollars in U.S. renewable projects by 2012. Iberdrola-owned wind projects have received over USD500 million in stimulus funds in grants it took in place of production tax credits, and Acciona expects to receive significant amounts as well. Gamesa and Acciona own four wind turbine manufacturing plants in Iowa and Pennsylvania. Acciona owns the world's third largest solar plant, the 64-MW Nevada Solar One concentrated solar (parabolic trough) project. Abengoa Solar plans to build a 280-MW concentrated solar plant in Arizona that will be the world's largest. Abengoa Biofuels has several ethanol plants in the U.S. In addition to the many investments mentioned above, Spanish companies and government bodies collaborate with DOE's National Renewable Energy Laboratory on research. Abengoa Solar has received five DOE or NREL contracts to develop parabolic trough and power tower technology. Abengoa has won DOE grants for second-generation ethanol projects.

#### Science Policy -----

18. (SBU) GOS science policy falls largely under the Ministry of Science and Innovation, a new ministry created by President Zapatero. Minister Cristina Garmendia is not affiliated with the PSOE and comes from a business background. She was reportedly recommended for the position by Minister of Industry, Tourism and Commerce Miguel Sebastian (for whom she had previously worked). However, her ministry and Sebastian's have had turf battles over responsibility for energy research and space policy in which

Sebastian has generally prevailed. In addition, Garmendia's ministry has suffered budget cuts for R & D recently and lost some responsibility for university education. Congress also has a say on science policy through the Commission on Science and Innovation (CSI) which is responsible for legislation that promotes science and innovation policies. CSI is headed by Chairperson Teresa Rodriguez who first entered congress in 1987. CSI was created as a permanent legislative body in 2008: it does not have a defined set of issues but works on matters referred from the Congressional Standing Committee. CSI is currently reviewing the relationship between the private sector and government in R and D.

#### EU Presidency

19. (SBU) The GOS has named a wide range of issues as priorities for its presidency. Its most frequently mentioned priorities are coordinating economic recovery and reform measures, coordinating implementation of the Lisbon Treaty (including adjusting to the new roles of President Van Rompuy and High Representative Ashton), and promoting gender equality. Foreign Ministry officials have also acknowledged that during Spain's presidency, the EU will face important decisions on Iran sanctions. President Zapatero and other GOS officials often cite strengthening transatlantic relations as another top priority and were disappointed that President Obama will not visit Spain for a U.S.-EU summit during Spain's tenure as EU president.

#### Personal Security

10. (U) In general, Spain is safe. However, Madrid and other large cities attract a large number of criminals and pickpockets, and frequent crimes of opportunity against the unwary do occur. It is best to carry only essential items, including a photocopy of your passport's photo page. Visitors can protect themselves against crime by being street-smart, alert, and aware of their surroundings. Travelers are encouraged to review the most recent Worldwide Caution issues by the Department of State. As the Department of State continues to develop information on any potential security threats to Americans overseas, it shares credible threat information through its Consular Information Program, available on the Internet at <http://travel.state.gov>. Additional information regarding safety and security in Spain is available on the U.S. Department of State's website ([www.embusa.es](http://www.embusa.es)).

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